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TO AMEMBASSY BUDAPEST PRIORITY

C O N F I D E N T I A L STATE 108722

E.O. 11652:GDS

TAGS:HU, PFOR

SUBJECT: DEPUTY FOREIGN MINISTER NAGY'S CALL ON ASSISTANT
SECRETARY HARTMAN

1. DEPUTY FOREIGN MINISTER JANOS NAGY, ACCOMPANIED BY
AMBASSADOR ESZTERGALYOS, CALLED ON ASST SECRETARY HARTMAN
AT 9:30 ON MAY 4. THE MEETING, ORIGINALLY SCHEDULED TO
LAST FOR ONE HOUR, WAS SHORTENED BECAUSE OF THE UPCOMING
CALL ON SECRETARY BUTZ.

2. TRADE/MFN. MR. HARTMAN NOTED THE FULL OUT-OF-
WASHINGTON SCHEDULE FOR SZEKER. NAGY REPLIED THAT IT IS
IMPORTANT FOR SZEKER TO MEET BUSINESSMEN, INDUSTRIALISTS
AND BANKERS, WHO ARE IN THE FOREFRONT OF OUR ECONOMIC
RELATIONS. NAGY CHARACTERIZED THE PROSPECTS FOR THE
DEVELOPMENT OF THE ECONOMIC RELATIONSHIP AS GOOD. EXCEPT
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FOR WELL-KNOWN OPSTACLES. HE NOTED THAT THERE IS NOW

IMPROVEMENT IN BOTH IMPORTS AND EXPORTS OF INDUSTRIAL GOODS. THE PRESENCE IN THE DELEGATION OF EDE HORVATH, DIRECTOR OF THE RABA FACTORY, IS EVIDENCE OF INDUSTRIAL COOPERATION. A NEW LINE OF COOPERATION IS PLANNED WITH INTERNATIONAL HARVESTER TO PRODUCE AGRICULTURAL MACINERY AT THE RABA FACTORY FOR USE WITH THE RABA-STEIGER TRACTOR, WITH SALES IN HUNGARY AND IN THIRD MARKETS.

3. MR. HARTMAN EXPLAINED THAT WE DO NOT EXPECT MUCH CHANGE IN THE MFN SITUATION UNTIL AFTER THE ELECTIONS. NAGY SAID THAT EVEN 1977 PROBABLY WOULD BE TOO SOON SINCE IT WOULD BE WITH A NEW CONGRESS. MR. HARTMAN REPLIED THAT IT WAS IMPOSSIBLE TO PREDICT BUT THAT IT IS OFTEN EASIER TO WORK WITH A NEW CONGRESS. ALSO, THE FIRST YEAR OF A PRESIDENTIAL ADMINISTRATION IS OFTEN THE TIME FOR NEW PROGRAMS AND NEW INITIATIVES.

4. CULTURAL/SCIENTIFIC AGREEMENT. IN RESPONSE TO MR. HARTMAN'S QUERY ABOUT HOW WE COULD EXPEDITE THE NEGOTIATIONS, NAGY CHARACTERIZED OUR PROCEDURES AS SLOW. SENDING DRAFTS TO WASHINGTON FOR APPROVAL RELIEVES THE PRESSURE ON THE HUNGARIAN SIDE. IF SOMEONE WERE TO GO TO BUDAPEST TO NEGOTIATE THINGS MIGHT BE DIFFERENT SINCE THERE WOULD BE THE NECESSITY TO CONCLUDE THE NEGOTIATIONS WITHIN A GIVEN PERIOD. MR. HARTMAN NOTED THAT THE ISSUES HAVE BEEN NARROWED. NAGY SUGGESTED THAT WE WORK ON THE PROGRAM AS WELL AS THE AGREEMENT. HE WOULD TRY TO EXPEDITE MATTERS. MR. HARTMAN EMPHASIZED THAT WE ARE PREPARED TO ACCEPT THE HUNGARIAN PROPOSAL FOR RENEWAL IF A SOLUTION CAN BE FOUND ON THE HUNGARIAN SIDE FOR OUR OTHER CONCERNS. AMBASSADOR MCAULLIFE AND NOW OUR CHARGE ARE FULLY EMPOWERED TO NEGOTIATE. THE PENDING VISIT OF MR. WISE FROM CU/EE WAS NOTED. NAGY URGED THAT ADVANTAGE BE TAKEN OF THAT VISIT FOR EXTENSIVE DISCUSSION ON THE AGREEMENT AND SPECIFICALLY THAT HE WORK ON PROGRAM DETAILS.

5. CSCE FOLLOW-UP. NAGY SEES THE BILATERAL SIDE OF CSCE AS DEVELOPING GENERALLY WELL. BASKET ONE PRINCIPLES PREVAIL IN OUR RELATIONSHIP. THE US IS AWARE OF HUNGARIAN

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PROBLEMS IN THE BASKET TWO AREA. THESE ARE TO SOME EXTENT RELATED TO HELSINKI. ON BASKET THREE, THE CULTURAL/SCIENTIFIC AGREEMENT WILL BE AN IMPORTANT STEP. IN HUMANITARIAN QUESTIONS THERE ARE ONLY A FEW PROBLEMS. ONE OR TWO ALWAYS COME UP. ON A WORLD-WIDE BASIS THERE ARE NOT MORE THAN TWO DOZEN SUCH PROBLEMS EACH YEAR; MOST ARE RESOLVED.

6. FOLLOWING REFERENCE TO THE MESTERHAZY CASE, NAGY STATED THAT THESE MATTERS ARE BEST HANDLED QUIETLY, WITH NO NOISE. IT MUST NOT APPEAR THAT HUNGARY IS ACTING UNDER PRESSURE. NAGY THEN ASKED FOR LIBERALIZATION OF OUR VISA PRACTICES. NAGY CONCLUDED BY INDICATING THAT THERE ARE "MANY TREASURES" HIDDEN IN THE HELSINKI DOCUMENT TO UTILIZE. LATER ON THIS YEAR THE GOH WOULD BE IN A POSITION TO MAKE CONCRETE PROPOSALS, HE SAID THERE WAS,

FOR EXAMPLE, THE QUESTION OF MULTIPLE ENTRY VISAS FOR JOURNALISTS. PERHAPS, NAGY HINTED, IT MIGHT BE POSSIBLE TO COME TO AN AGREEMENT ON THIS IF IT COULD BE RECIPROCAL. MR. ARMITAGE NOTED THAT, IN EFFECT, OUR REQUEST FOR MULTIPLE ENTRY VISAS FOR NON-RESIDENT JOURNALISTS WAS THE EQUIVALENT OF THE STATUS OF HUNGARIAN JOURNALISTS IN THE U.S., WHICH IS ALREADY A FACT.

7. INFORMATION. NAGY NOTED THAT THE PROBLEM OF THE INFORMATION ACTIVITIES OF EMBASSY BUDAPEST IS NOW BEHIND US. THIS FITS INTO THE FULL NORMALIZATION OF RELATIONS. HE ACKNOWLEDGED THAT THIS SITUATION HAD BEEN ABNORMAL. BUT SAID IT MUST BE REMEMBERED THAT ITS ORIGIN ON THE HUNGARIAN SIDE WAS IN RESPONSE TO RESTRICTIONS IMPOSED BY THE U.S.

8. VISITS. AT THE START OF THE MEETING NAGY STATED THAT HE IS STILL LOOKING FORWARD TO SEEING MR. HARTMAN IN BUDAPEST. MR. HARTMAN REPLIED THAT HE HOPES VERY MUCH TO BE ABLE TO GO. LATER IN THE CONVERSATION MR. ARMITAGE OFFERED TO ENCOURAGE INTERESTED CONGRESSMEN TO VISIT BUDAPEST. NAGY FELT THIS WOULD BE USEFUL. BOTH SIDES AGREED THAT MORE INFORMAL CONTACTS BETWEEN CONGRESS AND THE NATIONAL ASSEMBLY WOULD BE HELPFUL. SISCO
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